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C O N F I D E N T I A L SECTION 01 OF 02 MUSCAT 000256

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STATE FOR NEA/ARP, EEB/CBA
COMMERCE FOR ITA THOFFMAN

E.O. 12958: DECL: 04/02/2018

TAGS: PREL ECON EINV PINR MU

SUBJECT: AN AL-SAID LOSES HIS DAY IN COURT

REF: MUSCAT 188

Classified By: Ambassador Gary A. Grappo for Reasons 1.4 (b and d)

Summary

¶1. (C) An investment group reportedly controlled by a prominent member of Oman's ruling family failed to persuade a Muscat court to remove a Bahraini investor from the multi-billion dollar Blue City real estate venture. The episode suggests that the Sultanate sees preserving its reputation for judicial fairness and independence and its image as an attractive site for foreign investment as a higher priority than intervening in its legal system to benefit a prominent member of the royal family. End Summary.

A Public Affair

¶2. (C/NF) The "Bahrain Tribune" reported on March 24 that the Muscat Court of First Instance dismissed Omani investment group Cyclone LLC's suit against AAJ Holdings Company (AAJHC), an investment vehicle controlled by Bahraini national Ahmad Abu Bakr Janahi, over control of the \$20 billion Blue City real estate development project. Cyclone, which holds 30% of the venture, apparently sought to gain control of AAJHC's 70% stake through the court action. According to business website AME Info, Cyclone is co-owned by an Omani ruling family member and a local business personality. (Note: Post contacts and bloggers covering Oman assert that the unnamed royal family member is Sayyid Haythim bin Tariq al-Said, the Minister of Heritage and Culture, Sultan Qaboos' cousin and an individual often identified as one of the leading candidates to succeed the Sultan. Sayyid Haythim is also involved in the Muscat Hills Country and Golf Club development, which recently moved forward after convincing the Chairman of the Muscat Municipality to allow water usage for the golf course. End Note.)

¶3. (U) Although only one Omani newspaper, the private Arabic-language daily "al-Azzamn," published a story on the verdict, popular English-language blog sites "Muscat Confidential" and "Muscati," as well as the Bahraini press,

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have written in detail about the dispute, which became public late last year. The case gained increased media attention on March 18 when Janahi held a press conference in Bahrain, during which he called on the Omani government to restore AAJHC's control over Blue City. Janahi claimed that Cyclone

illegally took over the venture with an Omani court's injunction and had begun generating revenue without AAJHC's involvement. He also implied that Cyclone was attempting to gain control over Blue City to profit from the appreciation in land value for the project's first phase, which he said had risen to \$1 billion from \$83 million. The Bahraini and Gulf press widely reported Janahi's remarks and bloggers commenting on Oman subsequently reproduced them on their sites.

Still Moving Forward

¶4. (U) On March 31, English-language daily "Times of Oman" reported that the legal proceedings would not affect the progress at Blue City, which is scheduled to be completed in 12 phases over a 15 year period, and ultimately cover 14-square miles. The local newspaper also announced that the next sales release for the project would occur in approximately three months, and build on the "rapid sellout" of previous sales launches.

Comment

¶5. (C/NF) While ruling family members have reportedly been able to manipulate business deals to their benefit in the past, this episode is unusual because Sayyid Haythim apparently resorted to the judicial system to forward his personal interests, rather than quietly reaching a behind-the-scenes agreement. Janahi's subsequent use of the media to press his case may have dissuaded Sayyid Haythim from attempting to sway the court in his company's favor. Moreover, with Janahi's remarks and Cyclone's connection to

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the ruling family circulating on the Internet, the government may have calculated that interfering in the judicial process would have hurt the Sultanate's public image as friendly to foreign investment, as well as its reputation for judicial fairness and independence. The episode also lends credence to the view that Blue City is in better shape than two post contacts have previously suggested (reftel). End Comment.
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